



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2015 Biennium

Bill #	HB0090	Title:	Increase university system supplemental contributions rate to TRS
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Primary Sponsor:	O'Hara, Jesse	Status:	As Introduced
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- Retirement Systems Affected:**
- | | | | |
|--|---|---|---------------------------------|
| <input checked="" type="checkbox"/> Teachers | <input type="checkbox"/> Public Employees | <input type="checkbox"/> Highway Patrol | <input type="checkbox"/> Police |
| <input type="checkbox"/> Sheriffs | <input type="checkbox"/> Firefighters | <input type="checkbox"/> Volunteer Firefighters | <input type="checkbox"/> Judges |

Check the box if "Yes".

- Has this legislation been reviewed by the legislative interim committee?
- Has the cost of this legislation been calculated by the system's actuary?
- Does this legislation include full funding for any benefit revisions?

(Dallor amounts in thousands.)	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$4,814,726	\$4,814,726	\$0
Present Value of Actuarial Assets	\$2,852,007	\$2,852,007	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,962,719	\$1,962,719	\$0
Amortization Period (years) of UAAL	Infinite	82.00	0.00
Change in normal costs	9.65%	9.65%	0.00%

	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	7.15%	7.15%	7.15%	7.15%	7.15%
Employer Contribution Rate	7.47%	7.47%	7.47%	7.47%	7.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	17.11%	17.11%	17.11%	17.11%	17.11%
MUS Supplemental Employer Rate	4.72	9.04	9.04	9.04	9.04

FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Expenditures:				
General Fund - MUS	\$4,744,807	\$4,744,807	\$4,958,324	\$5,181,448
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - MUS Tuition/Restricted	\$3,588,689	\$3,963,696	\$4,142,062	\$4,328,455
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	\$8,333,496	\$8,708,503	\$9,110,386	\$9,509,903
Net Impact-General Fund Balance:	<u>(\$4,744,807)</u>	<u>(\$4,744,807)</u>	<u>(\$4,958,324)</u>	<u>(\$5,181,448)</u>

Description of fiscal impact:

Pursuant to 19-20-621, MCA, the supplemental employer contribution rate made by the Montana University System (MUS) employers must increase from 4.72% to 9.04% in order to amortize their share of TRS unfunded liabilities following legislation to close TRS to new entrants in the university system. By law, MUS’ obligation to TRS must be fully amortized by July 1, 2033.

FISCAL ANALYSIS

Assumptions:

1. The university system supplemental employer contribution to TRS is based on the total compensation of employees participating in the MUS ORP retirement plan.
2. The MUS ORP retirement plan grows at a higher rate than the normal growth in salaries due to the requirement that all newly hired faculty and certain professional staff must join ORP. When MUS staff members in TRS retire, they are replaced by staff that must enroll in ORP.
3. The MUS Current Unrestricted Fund (CUF) salary data is from the Montana Budgeting and Reporting System (MBARS), is present law, and could change depending upon the outcome of HB 13. The balance of the salary data is paid from tuition and other sources.
4. MBARS data is based on zero salary increase for FY 2014 and FY 2015 and increases of 4.5% are assumed for out years as indicated by actuarial assumptions.
5. The state’s general fund portion is assumed to be 81% of the current unrestricted portion.

MUS Salary Data	2014	2015	2016	2017
CUF	\$135,596,917	\$135,596,917	\$141,698,778	\$148,075,223
Tuition and Other Sources	\$ 57,308,083	\$ 65,988,808	\$ 68,958,304	\$ 72,061,428
Total Salary Data	\$192,905,000	\$201,585,725	\$210,657,083	\$220,136,651

6. HB 90 increases the required university system supplemental employer contribution rate from 4.72% to 9.04% of salaries of all MUS employees participating in the university system’s Optional Retirement Plan (ORP).
7. The increase in the required contribution rate is primarily attributed to market losses in FY 2009, to less than expected increases in total ORP member salaries, and to the failure to adopt prior recommended supplemental employer contribution rate increases.
8. The impact presented in the fiscal note assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
9. All calculations are based on the July 1, 2012 actuarial valuation.
10. The actuarial valuations and experience studies are available on the TRS website:
<http://www.trs.mt.gov/Board/ActuarialValuations/ActuarialValuations.asp>

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits - MUS	8,333,496	8,708,503	9,100,386	9,509,903
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL Expenditures	<u><u>8,333,496</u></u>	<u><u>8,708,503</u></u>	<u><u>9,100,386</u></u>	<u><u>9,509,903</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	4,744,807	4,744,807	4,958,324	5,181,448
Other - MUS Tuition/Restr	3,588,689	3,963,696	4,142,062	4,328,455
Other - TRS Pension Trust	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL Funding of Exp.	<u><u>8,333,496</u></u>	<u><u>8,708,503</u></u>	<u><u>9,100,386</u></u>	<u><u>9,509,903</u></u>
<u>Revenues:</u>				
General Fund (01)	0	0	0	0
Other - MUS Tuition/Restr	0	0	0	0
Other - TRS Pension Trust	<u>8,333,496</u>	<u>8,708,503</u>	<u>9,100,386</u>	<u>9,509,903</u>
TOTAL Revenues	<u><u>8,333,496</u></u>	<u><u>8,708,503</u></u>	<u><u>9,100,386</u></u>	<u><u>9,509,903</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(4,744,807)	(4,744,807)	(4,958,324)	(5,181,448)
Other - MUS Tuition/Restr	(3,588,689)	(3,963,696)	(4,142,062)	(4,328,455)
Other - TRS Pension Trust	8,333,496	8,708,503	9,100,386	9,509,903

Long-Term Impacts:

1. The supplemental employer contribution rate increase will amortize the past service liabilities of the TRS University System members by July 1, 2033, as required by 19-20-621, MCA.
2. The supplemental employer contribution made by MUS will increase in the future at the same rate as salaries increase.

Technical Notes:

1. If both HB 90 and HB 112 are passed and approved, the period required to amortize the TRS unfunded liabilities will decrease from infinite to 31 years.

Sponsor's Initials

Date

Budget Director's Initials

Date